



FOR IMMEDIATE RELEASE

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FACT SHEET

MAYOR SANDERS IMPLEMENTS SWEEPING CHANGES FOR CITY PURCHASING AND CONTRACTING PROGRAMS

***BUSINESS PROCESS RE-ENGINEERING CREATES STREAMLINED
DEPARTMENT, CUTS 17 POSITIONS AND CLOSES FACILITIES GIVING
CITY \$8,962,293 BOOST FROM SAVINGS AND AVOIDED COSTS***

DEPARTMENT IS FIRST UNDER MAYOR'S BUSINESS PROCESS RE-ENGINEERING PROGRAM

As promised at the outset of his term, Mayor Jerry Sanders has implemented a comprehensive Business Process Re-Engineering (BPR) effort. Under the BPR program, all City departments and processes will examine and change the practices and procedures necessary to save money, streamline operations and to provide better direct services to residents and all other stakeholders affected by the City.

The first BPR effort undertaken involved the City's purchasing and procurement practices. It analyzed every aspect of the City's current systems, compared those findings against what other cities are doing (Seattle, Phoenix, Fresno, Indianapolis, Jacksonville, Oakland, San Francisco and Los Angeles) and included substantial assistance from stakeholders from inside and outside the City including representatives of trade associations, government watchdog groups, labor organizations and companies already doing business with the City.

On the Mayor's orders, the findings coming from the analysis were translated into a series of actions to be taken by the City. Those actions include immediate responses to stakeholder concerns, changes in policies and procedures and the implementation of new practices affecting the entire City management system.

- Today, Mayor Jerry Sanders unveiled sweeping changes to the City's purchasing and procurement programs resulting in the creation of a new streamlined Purchasing and Contracts department, the elimination of 17 positions and the closure of two of the City's four central stores warehouses resulting in a boost to the City's budget of \$6,686,639 coming from savings and avoided costs under the new structure.

Cost Savings	FY 2006	FY 2007
Consolidation of Central Stores Warehouses	\$ 420,000	\$1,100,000
Elimination of 5 Positions (Outside BPR Process)	\$ 142,654	\$ 268,863
BPR Reduction of 17 Positions		\$1,482,776
P-Card Rebate to City	\$ 13,000	\$ 35,000
Total Estimated Cost Savings	\$ 575,654	\$2,886,639
Cost Avoidance		
Reduction in Processing Costs	\$ 500,000	\$ 700,000
P-Card Program Results	\$1,200,000	\$3,100,000
Total Estimated Cost Avoidance	\$1,700,000	\$3,800,000
Total Estimated Savings and Cost Avoidance	\$2,275,654	\$6,686,639

- Under the Mayor's plan, the new department will immediately cut 17 full-time positions saving the City more than \$1,482,000 in personnel costs alone.
- The Mayor also directed the department to close two of the four central stores warehouses for a savings of \$1,100,000 in the coming budget year.
- Mayor Sanders also used the BPR process to determine the number of contracts currently held by the City. Prior to implementing the Mayor's BPR process the City was unaware of that number. By the close of the BPR effort it was determined that the City has 3,435 open contracts. Each of those contracts is now being actively monitored and managed to ensure compliance with City standards and costs controls.
- Under the Mayor's plan the new department will be charged with the awarding of contracts and agreements. It will also handle acquisition planning, all Requests for Qualifications, Requests for Proposals and Requests for Bids, the coordination of responses to bidder questions and the analysis of bids and proposals. The department will also assist with vendor selection and negotiations between other City departments and those vendors and contractors.
- Prior to the Mayor's direction, these functions were dispersed across multiple departments and functional areas at the City causing confusion and complaints from vendors, contractors and internal stakeholders alike.
- Although not part of the BPR process, the Mayor has also directed the department to provide oversight and auditing for Service Level Agreements between other City departments. Service Level Agreements, when properly managed, allow for the accurate accounting of the cost of services provided among various City departments.

\$3 MILLION IN ADDITIONAL SAVINGS COMING FROM BETTER PURCHASING PROCESS

- The Mayor has also announced his plan to cut down the forest of paperwork and costs that have typically burdened the City's purchasing system.
- Currently the City processes close to 3,500 unique purchase orders each year for materials, supplies and services individually valued at less than \$1,000. Accounting for these orders will now be improved allowing the City to make simple, quicker purchases while providing prompt payment to vendors and cutting staff time and processing costs.
- Under the Mayor's plan, the "P-Card" purchasing program operated in conjunction with the State of California through USBank, will grow from just 100 current users making around 15,000 transactions each year to include approximately 400 select City workers handling an estimated 75,000 transactions over the next year.
- When the P-Card program is fully implemented it will eliminate paperwork and staff time costs for a savings estimated at \$3,800,000.
- The Mayor also announced that the P-Card program will give the City tighter control of the purchasing management system and will allow City leaders to set specific limits on the types of products, vendors and allowable costs for routine purchases.

The City of San Diego has wide variety of contracts and vendors agreements for the products and supplies needed to deliver services to city residents. Listed below are just a few examples of the items purchased by the City on a regular basis.

- 50 Fire Apparatus (50 units leased for seven years): Estimated contract value \$18,371,375
- Refuse Packers for Environmental Services: Estimated annual value \$8,078,762
- Water and sewer treatment chemicals: Estimated annual value \$5,133,814
- Police Patrol Vehicles: Estimated annual value \$3,333,773
- Asphalt Concrete: Estimated annual value \$2,092,800
- Police Motorcycles: Estimated first year value \$1,386,082

Consumable Items:

- Domestic Water Meters (8,288): Estimated annual value \$328,403
- White Bond Paper (112,427 reams): Estimated annual value \$276,570
- Toilet Paper (5,931 cases): Estimated annual value \$183,090
- Paper Towels (708 cases): Estimated annual value \$147,976
- Traffic Paint (18,345 gallons): Estimated annual value \$143,149

NEW PERFORMANCE STANDARDS SET FOR PURCHASING AND CONTRACTING DEPARTMENT

- Mayor Sanders has also announced that the BPR process leading to the creation of the Purchasing and Contracting Department has resulted in new performance standards for the department's operations.
- Under the Mayor's direction, department leaders are shortening the allowable turn-around time from order to delivery of materials.
- The new plan will continue the growth of the City's "just-in-time" delivery system further reducing the need for warehouse space and staff. "Just-in-time" delivery allows the City to place orders for goods and materials closer to the time they are needed and to take advantage of the rapid shipping options offered by most vendors.
- The Mayor has also announced that the City is exploring the implementation of cooperative procurement agreements with other public agencies. The agreements, that may grow to include multiple agencies, will reduce costs for all the agencies involved by creating larger volume purchases of goods and services from interested vendors.
- In addition, the Mayor has directed the Purchasing and Contracting Department to implement a series of best practices for the entire City contracting operation. These practices will be modeled on the recommendations of the United States Government Accounting Office and other professional purchasing organizations. Once implemented, these "best practices" will significantly improve service and provide the City with a score card on how well services are provided

MAYOR ANNOUNCES STRONGER COMMITMENT TO BUSINESSES

- Mayor Sanders reported that he will be addressing the concerns of external stakeholders involved in this first BPR effort by posting a comprehensive list of upcoming contract opportunities on the City's website, cutting down on paperwork associated with becoming a vendor for the City and also posting a simplified guide to City contracting procedures on the new department's website.
- The Mayor has directed the department to continue working with external stakeholders to identify and implement other changes that will improve opportunities for small businesses interested in doing business with the City.